



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

Michael O. Leavitt
Governor

Lowell P. Braxton
Division Director

August 6, 1998

Rick Havenstrite
Nevada Star Corporation
2213 North Cottontail
Cedar City, Utah 84720

Dear Mr. Havenstrite:

Re: Tentative Approval of the Notice of Intention to Commence Large Mining Operations, Nevada Star Corporation, O.K. Copper Mine, M/001/039, Beaver County, Utah

Dear Mr. Havenstrite:

As you know, on March 31, 1997, the Division issued its tentative approval of Centurion Mining Corporation's (Centurion) original Notice of Intention to Commence Large Mining Operations (LMO) for Phase I construction of the O.K. Copper Mine project. The Board of Oil, Gas and Mining conditionally approved of Centurion's proposed form and amount of reclamation surety on May 7, 1997. The Board's Order (dated May 7, 1997) required that the reclamation surety be posted no later than December 31, 1997, for the conditional approval of the large mining notice to remain effective. By letter dated July 15, 1998, the Division rescinded its tentative approval of Centurion's LMO application due to Centurion's failure to post the required reclamation surety by the December 1997 deadline.

On August 3, 1998, the Division received Nevada Star Corporation's (Nevada Star) letter wherein the corporation agrees to assume Centurion's current LMO application for the O.K. Copper Mine, as it exists in its present status. Since the application has already been processed and Nevada Star is not proposing to alter the existing permit application, we hereby grant our tentative approval of Nevada Star's O.K. Copper Mine Large Mining Notice of Intention. We will proceed to publish a formal tentative approval notice which begins a 30-day public comment period. If no substantive comments are received during the 30-day period, the Division will be grant its final approval of the O.K. Copper Mine permit application.

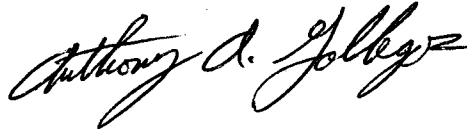
A new reclamation contract (FORM MR-RC) with accompanying surety in the amount of \$554,400 must be received by the Division before we can issue our final approval allowing

0004

Page 2
Rick Havenstrite
M/001/039
August 6, 1998

construction to begin. We have updated the reclamation surety estimate to reflect current year dollars and added the standard 5-year escalation provision (copy attached). Thank you for your cooperation in completing this permitting action. If you have any questions in this regard please contact me, Tony Gallegos, or Tom Munson of the Minerals staff.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Attachment: Updated reclamation estimate
cc: Craig Davis, Beaver County Zoning Authority
Dennis Frederick, DWQ
Mary Ann Wright, DOGM
o:\m01-39.ltr

SURETY ESTIMATE UPDATE

Nevada Star Corporation

OK Mine - Phase 1 ONLY M/001/039

Beaver County

Prepared by Utah Division of Oil, Gas & Mining

Last Update 08/03/98

DESCRIPTION:

- Previous reclamation surety estimate was \$550,000 in year 2002 dollars
- Reclamation Estimate base amount calculated in 1997-\$
- This update adjusts the surety amount for escalation only.
- This was originally approved for Centurion Mines Corporation on 4/97**
- This estimate was updated to reflect the new operator Nevada Star Corporation**
- There are no changes to the Phase 1 mining and reclamation plan**
- Escalation factors through 1997 are actual Means Historical Cost Indices
- Proposed total disturbance for Phases 1-3 of the OK Mine = 275 acres
- Estimated total disturbed area for Phase 1 - OK Mine = acres
- Total disturbed area to be reclaimed = 128 acres

CALCULATIONS	YR	ESCAL FACTOR	BOND AMOUNT
$F = P(1 + I^{**n})$			
F = Future Sum	1996	0.0242	\$0
P = Present Sum	1997	0.0236	\$485,436
I = Escalation Factor	1998	0.0224	\$496,310
n = number of periods	1999	0.0224	\$507,427
	2000	0.0224	\$518,793
Three Yr Average = 2.24%	2001	0.0224	\$530,414
Used to Project 5 Yrs	2002	0.0224	\$542,296
From the Year 1998	2003	0.0224	\$554,443
Updated Surety Amount Rounded (2003-\$)			\$554,400
** Average cost per acre = \$4,331 (\$/ACRE)			